

Minutes Affordable Housing Forum May 14, 2008

Minutes of the Affordable Housing Forum held on Wednesday, May 14, 2008, at Tempe Public Library, Library Room, 3500 S. Rural Road, Tempe, Arizona.

Councilmembers Present:

Mayor Hugh Hallman
Councilmember Shana Ellis
Councilmember Mark Mitchell

Staff Present:

Neil Calfee, Dep Community Dev Mgr
Liz Chavez, Housing Services
Kate Hanley, TCC
Craig Hittie, Housing Services
Jan Hort, City Clerk
Steve Wise, TCC

Guests Present:

Linda Beiler, Connecting to Serve
Doug Bland
Steve Burke, Our Turn Construction
Alan Carlson, NewTown
Joe Cook, Developer/Faith Community
Sheila Coonen, Connecting to Serve
Kirk Deem, First AZ Savings
Rich Erdmann, citizen
Beth Fiorenza, TCAA
Jeanie Ghan
Chris Gonzalez
Traci Gruenberger, Lutheran Social Services
Ann Hardt, TEAM
Pen Johnson, NewTown
Zita Johnson, TCAA
Nate Kongthum, Habitat for Humanity
Sadik Kucuksari, Foundation for Intercultural Dialogue
Peggy Levesque

Paul Ludwig, MCCD
Nick Miner
Ben Sanders, Community Ministries
Amy Schwebenlender, Valley of the Sun United Way
Stephen Sparks, TCAA
David Strang
Andrew Straug
Doug Walton
Dave Wells, Tempe Friends
Gary Zeck

Registration and breakfast began at 8:30 a.m. and the meeting convened at 9:00 a.m.

Agenda Item #1 – Welcome from Mayor Hallman

Agenda Item #2 – Introduction of City Council

Mayor Hallman welcomed the group. He noted that these forums illustrate the fact that the City can do a better job in its affordable housing strategies, and this meeting today will help define that strategy. It is easy to get tangled up in the terms of workforce housing, truly affordable housing, housing for homeless people, etc. That's the kind of thing this group is being called upon today to discuss.

Mayor Hallman introduced Councilmember Shana Ellis, Chair of the Transportation, Housing and Environment (THE) Committee, and Councilmember Mark Mitchell. He also introduced Zita Johnson, a long-time community activist who serves admirably on the Tempe Union High School District Board. Much of what the School District Board now has to deal with are legal and health issues and all kinds of things that require meetings behind closed doors. It makes it difficult, while trying to solve hard problems, to communicate much of the great work that is going on. Being in a similar position, he wanted to thank her for her great effort in trying to solve problems.

He continued that the City of Tempe has been blessed with great resources. This is a community that could be deteriorating and disappearing. Tempe is a fully built-out city, more or less, in the center of an urban area that is increasingly urbanizing. Many communities in the same position deteriorate from the center and become armed conflicts. That is not happening here. Many groups deserve credit, and it is a result of people like those present today working to solve problems. This is a community made up of individuals who have committed themselves to the sense of "community" and to weaving a community fabric. That fabric is made up of individual threads, and the threads are the people of the community. Together, we make a vibrant fabric. Today is another day at the loom and he thanked those present for being willing to weave and re-weave fabric that needs our greatest help.

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Mayor Hallman left the meeting.
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Agenda Item #3 – Presentation of current and future City affordable housing programs

Neil Calfee, Deputy Community Development Manager, summarized the affordable housing programs in Tempe.

- What is affordable housing?
 - Affordable housing is housing provided and maintained through some combination of zoning incentives, cost-effective construction techniques, and government assistance that can be rented or purchased by households who cannot afford market rate housing in the community.
 - It's not about the house, since every house is affordable to someone. It is about the people, the families.
- The affordable housing continuum – a continuum of people, not housing.
 - Homeless Prevention & Outreach begins with homeless issues because homeless issues are affordable housing issues.
 - Homeless Shelters/Domestic Violence Shelters gets people off the street and into some form of housing.
 - Housing First focuses on getting people out of a shelter and into a Housing First model.
 - Section 8 / Transitional Housing deals with affordable subsidized rental housing for those with an income but unable to afford market-rate housing.
 - Permanently Affordable Rental is not subsidized, but is more affordable and moves into house quality issues, not necessarily into choice.
 - Homeownership Assistance for Moderate Income Families serves families making 80% of area median income and the ability to maintain a mortgage.
 - Homeownership Assistance for "Workforce Housing" serves families making the area median income, but lost in the gap in federal funding.
- Factors Determining Affordability
 - Typical family should spend no more than 30% to 40% of available funds on housing (rent/mortgage, utilities, insurance, etc.)
 - For 07/08, a family of 4 would be considered –
 - Low income at \$30,050 per year (\$1,000 per month for housing)
 - Moderate income at \$48,100 per year (\$1,600 per month for housing)
 - Workforce at \$72,200 per year (\$2,400 per month for housing)
 - Dynamics are changing with rising food and fuel costs chipping away at the money available for housing.

Mr. Calfee, addressing determination of the area median income (AMI), explained that it isn't how much things are costing, but it is how much the area is making, so HUD determines an average income and sets a level at which a person becomes eligible for federal funding. The issue will become how to deal with the percentages available for housing.

- Ownership vs. Rental Housing – Need for Housing Choice
 - Not everybody is ready for homeownership. Do they have the means, credit, time to maintain a home? The City works with its non-profit partners to develop ownership opportunities.

- Need for affordable rental units (Section 8). Challenge to maintain or create new rental opportunities. Rentals provide a lower rate and may be easier to maintain and the challenge is to balance that with the neighborhoods.
- Diversity in housing stock equals expanded opportunities for affordable and workforce housing.
- Period of affordability. HUD mandates (20 year period) vs. perpetual (Community Land Trust).
- HUD 07/08 Funding
 - Section 8 Rental Assistance (\$8,343,221) serves about 11 Housing Choice Vouchers.
 - HOME Entitlement Grant (\$487,711) is meant for homeownership activities, such as home rehabilitation.
 - Community Development Block Grant (\$1,635,822) is the most successful in terms of local jurisdictions being able to spend this money as they see fit for a range of things, such as affordable housing, economic development, historic preservation, and blight issues. The City has used it to acquire properties.
 - American Dream Down Payment Initiative (\$12,919) is HUD's attempt to transition out of Section 8 and into homeownership.

Craig Hittie responded to a question regarding the American Dream Down Payment Initiative money and how it was used. Eligible families who earn less than 60% AMI are able to stack up to \$10K of that on top of what they would normally get in down payment assistance, so 1.3 families were able to take advantage of that.

- Cuts in Tempe's HUD budget
 - FY 04/05 – lost 3% of the budget
 - FY 05/06 – lost 8.5%
 - FY 06/07 – lost 17% (\$450K)
 - FY 07/08 – lost 18% (\$467K)
- HUD Funding
 - Section 8 Rental Assistance
 - Home Rehabilitation for income-eligible homeowners to receive rehabilitation dollars up to \$25K per home as a loan/lien. Emergency rehab program is available as a grant for up to \$7500. There are 39 in the budget for FY 07/08.
 - Rental Rehabilitation has 5 budgeted for FY 07/08. The unit must be held affordable for 20 years.
 - CAMP (Community Assisted Mortgage Program) is a very popular down payment assistance program for income-qualified individuals who can get up to \$35K of assistance to buy down the value of a mortgage to make it affordable. There are currently 12 loans plus a waiting list. It is difficult to create an affordable house, but by giving someone \$35K, a large piece of Tempe becomes affordable. That assistance is repaid upon sale of the house.
 - FSS (Family Self-Sufficiency) is a program linked to the Section 8 program. It is designed to get people out of Section 8. It is similar to life coaching and works to help people to save money, deal with credit issues, go to school, offer nutritional clinics, workshops on how to be a better parent, etc.

- Annual Social Service Funding of 15%. 15% of the federal CDBG funds is allocated by the Tempe Community Council (TCC) which is then combined with other monies that the TCC raises, and is then given to social service agencies.
- Fair Housing administration and investigation.

In regards to how someone in Tempe would know about the available programs, the website explains the programs, any non-profit would channel eligible people to the programs, and there are community networks that spread the word.

Does the down payment assistance money accrue interest?

Mr. Calfee responded it does not. The City looks at the investment of home ownership.

- City In-Lieu Downtown Housing Fee could be imposed on new housing projects in the downtown area. Until now, the City has negotiated with the developers a contribution toward affordable housing. The money does not have restrictions and the City can spend it as it sees fit on affordable housing. Staff is looking at taking the \$500 per unit fee city-wide. Promised contributions so far include:
 - Centerpoint - \$25K per tower
 - University Square - \$100K on the Development & Disposition Agreement
 - Lumina - \$200K plus 5% units must be attainable
 - 100 Mill - \$500 per unit
 - On Mill - \$500 per unit
- The City partners with non-profits who specialize in creating affordable housing.
 - NewTown / Community Land Trust
NewTown builds houses and partners with Habitat for additional houses. They also have the Community Land Trust program where they have been able to acquire a home at market rate, provide money for rehabilitation to get the house up to standards, work with the City on down payment assistance, and take the value of the land under the house out of the equation. The buyer buys the structure in terms of value. The land is on a perpetual land lease to the Community Land Trust, and it is a permanently affordable home. The house can be resold as an affordable housing unit.

Allen Carlson added that there are 34 properties in the land trust. The majority of those were acquired through acquisition rehabilitation. The first resale occurred this year. This house had about \$130K of total development between acquisition and rehab, and it was sold for \$90K in June of 2005. They sold it in June of 2007. They bought the house back and the seller walked away with about \$30K in equity. The house appraised for \$221K. Some additional rehab money was put into it and it was resold for \$145K to a new family. Many of the families that have bought Community Land Trust homes have used Community Assisted Mortgage Programs through the City so they have received \$35K in down payment assistance. In addition, they have an individual development account program where if someone saves \$5K,

- they match that with \$15K as a forgivable loan, so with their \$5K, they are getting the City's money and the matching funds for \$50K in down payment assistance.
- Staff is working with Habitat for Humanity and with NewTown for the creation of townhomes for the future based on land economy and space.
 - Chicanos Por La Causa is partnering to build housing in the Escalante and Victory Acres areas. They have built two units so far.
 - Tempe Community Council (TCC) partners on affordable housing on a social services front.
 - TCAA provides assistance on affordable housing in dealing with emergency situations.
- City Affordable Housing Initiatives
 - The Community Development Department was reorganized with an Affordable Housing section.
 - In-Lieu Fee Housing Study is done and recommendations will be forth coming
 - TOD Density Bonus Program in the rail corridor to allow additional density in exchange for affordability.
 - Adopted Affordable Housing Strategy
 - Ad-Hoc Affordable Housing Creation.
 - Future of Affordable Housing in Tempe
 - Land Cost/Construction Cost Escalation
 - Per Unit Subsidy – how much money do we put into these houses to make them affordable?
 - Unit vs. Buyer Subsidy
 - Concentration vs. Dispersion of Affordable Housing. The City would prefer to see affordable housing spread throughout community. We have a stated policy that we will disperse it as much as possible.
 - Balance location of the housing with transportation options and jobs. There are no answers yet.
 - The role of Density in Affordable Housing. Many neighborhoods don't want a dense project. There is the potential that a project that is more dense may then be able to afford to include affordable housing.
 - New Models for Achieving Affordability.

In regards to restriction for energy efficiency, there are no stated energy efficiencies. With rehabs and reconstruction, the non-profits work to provide as much energy efficiency as possible because it is the right thing to do. If the utility cost can be reduced, that means a lot to the life cycle of that family.

Nate Kongthum, Habitat for Humanity, responded that they are building Energy Star homes, and this year they will be doing green buildings.

There was a request for information on the unmet need.

Craig Hittie responded that the CAMP wait list is down because once people hear there is a wait list, they stop calling. They want a house in the next couple of months. The emergency rehab list, however, is large.

Liz Chavez responded that Section 8 has 1600 on the wait list. It is a complex program in that HUD requires the City to house families that are under the 30% threshold of income limit and that has to be met on a fiscal year basis. Once they are finally getting to the point where they are meeting those families, they have to begin again. That's why there is such a large waiting list. Most are working families over that threshold. Staff is working to address that issue with HUD. Tempe does have reserves in housing assistance funding and that wait list is moving. They probably average about 20 families per month.

Ms. Chavez stated that citizenship is required to receive the subsidy, but there can be a pro-rated calculation involved for non-citizens. It doesn't mean that because the mother isn't a citizen that the rest of the family can't get assistance. Criminal background checks are also done.

There was a request for clarification that 1600 people on the wait list would involve a multi-year wait.

Ms. Chavez responded the City has a preference system. Applicants from the wait list are pooled based on date and time of the application, and then the application goes into the preference system. Preferences include: living and working in Tempe, being disabled, or being over 62 years of age. The point system begins at 100 and goes to 0. If someone falls into the 100 category, the waiting period will be from six to eighteen months and there are about 500 families in that range. If someone is in the 0 range, it might be a five year or more wait.

There was a request for explanation of the City's reserves.

Ms. Chavez responded the over the past three years, HUD moved from a unit-based formula to a budget-based formula for calculation. This meant that they give a certain amount of money and the City has to subsidize the program with that amount of money. Currently, the subsidy limit is \$1,082. Realistically, because it is based upon households, they can be paying more for one household because it is based on the household income on a monthly basis. Also, they could be subsidizing one family more than another. Based on that, actual reserves have rolled over. The government has been kind enough to allow the City to keep those reserves and they have rolled over reserves to use for families.

There was a question whether there is a timeline to use those reserves.

Ms. Chavez responded that is unknown. They are being told that they can use those reserves, but she understands that as budgets are decreasing, HUD is talking about taking those reserves. Right now, they are fortunate to be able to continue to use them and put more families on the program, specifically Section 8.

There was a question whether the wait list and timeframe for people to get into the Section 8 housing are because it takes so long to process, or because housing isn't available.

Ms. Chavez responded that it is due to both. Families have had challenges going out into the community and finding units that are within a payment standard or a limit amount. The other issue is the timeframe for processing the applicants. Income has to be verified, the family has to provide birth certificates and social security information, and they need to sign certifications that they are citizens. If they are non-citizens and have a card, then staff needs to go through INS to process that card and verify residency. Criminal background checks are also done and there are cases where screening is based on criminal activity. They move through the process as quickly as possible.

Mr. Calfee added that there is a lot of paperwork that needs to be done.

There was a question regarding the criminal background checks and what would disqualify someone from housing.

Ms. Chavez responded that non-allowable criminal activity is violent or drug activity within the last five years. Sexual predator activity is a lifelong disqualification.

On an annual basis, probably 1200 or 1300 families receive direct assistance and there are many indirect social services, etc. The City could spend whatever money HUD would give for down payment assistance, probably millions of dollars.

Mr. Carlson added that NewTown has 10 to 15 on a waiting list and there are many unmet needs. Part of their work is to get the word out that it is possible to own a home in Tempe through the various programs.

Mr. Calfee added that when the waiting list is opened, busloads of people from throughout the Valley come to get on the list. They are not Tempe residents. The federal programs don't discriminate against those outside Tempe. A huge refugee population showed up and they were bused in by social service providers and others from throughout the Valley, so it is a regional issue.

There was a request for clarification that the HUD report showed 6,000 households with incomes of \$30K or less that were paying half or more of their income on housing.

Mr. Calfee responded that staff estimates what the need would be and it is where the line is drawn.

There was a question whether staff is looking at the future.

Mr. Calfee responded that staff tries to predict issues. Staff looks at trends and issues. The problem is that staff is trying to keep up with HUD regulations. The HUD funding is extremely important and staff tries to maximize every dollar and get the money out the door as best they can. There's not a lot of advance planning with these programs. That's why staff wants to look at new models and try to be on the leading edge and investigate other ways to find funding. The day-to-day work is trying to get those federal funding programs administered and to get the money out the door.

There was a question, given that Tempe is a built-out city and there is finite amount of land within the City limits, where most of the affordable housing will come from.

Mr. Calfee responded that there probably will never be enough to address the need. They are looking at the rehab program, townhome rehab, existing home rehab, and keeping people in their homes. There is a large population that couldn't take the house they are in and buy it, so it is important to look at new opportunities for existing housing. New builds are becoming too expensive. The ongoing challenge is to create new units and get the numbers down. His opinion is that homebuyer assistance will be critical and the capacity of the City or non-profits to build new units is really tough. The best of both worlds would be to have a meaningful down payment assistance program where the buyer can choose a house. The City can provide that down payment and that house then becomes affordable.

Agenda Item #4 – Break for 15 minutes

Agenda Item #5 – Facilitated discussion with the City's Faith Based partners and City staff outlining possible collaborative efforts to address the need for additional affordable housing units in Tempe

Councilmember Ellis announced that there is an affordable housing list serve at www.tempe.gov/listserv. The affordable housing list serve will have a link to the minutes of this meeting and will provide information about upcoming meetings. The minutes are also available through the City Clerk's website at www.tempe.gov/clerk and minutes from all forums will be available.

There was a comment on the strata of vulnerable population in Tempe. There are fragile parts of the population affected by housing and that spills over into the rest of the community, particularly concerning the density issue. He came from a community in California five years ago that had tremendous density issues and there was a large impact on violence, schools, family life and individual life.

There was a comment that in a period of budget cuts, the irony is that those who are most vulnerable pay that price. As budgets get cut, social services get cut, so that's where we are right now. Within the faith community and with other citizens of this City, this is a moment of truth and a time when we can step up or just let it happen. This is an opportunity for Tempe to do what it can do best, and that is to rally together as a community to serve those who are in the greatest need. We have seen some wonderful initiatives. He is concerned about the cuts in funding, but we cannot only take steps to lobby and advocate, but we can also take action steps within our community. Project Homeless Connect hosted at First United Methodist Church is a great example of a way in which the community has stepped up to work with service providers to bring together in one place all of the services that are needed by the homeless and help them become more stable. Tempe was the first place in the state to use that model and Tempe is seen as a model. Let's take it to the next step. There's a critical need in homelessness and a challenge of how to get people into housing, and social services can be brought to them in a stable place. He appreciates that staff is addressing the entire contingent of affordable housing and we're not neglecting those who are most vulnerable. How can the faith community engage to bring solutions to the table and to partner together to make Tempe a better place?

Pen Johnson, NewTown, stated that he is a member of a small working group that put together an idea for a housing trust fund for the City. There are many examples of housing trust funds throughout the country. At the Council's Issue Review Session tomorrow night, this idea will be going forth to establish a Tempe

Housing Trust Fund. The idea is that this will be a City agency that will be a vehicle through which we can seek sources of funding and disburse funding to the various agencies. Mr. Calfee mentioned the money that will eventually come from new development would be one source of income. Studies have shown that there is an average of up to 6.5 times other sources of foundation grants, etc. added to a Housing Trust Fund. Part of the solution is to do local funding rather than depending upon federal funding.

Dave Wells, Tempe Friends, stated that there is a City policy that should be reconsidered. There has been concern about how rentals are used and one of the outcomes of the Rental Task Force was that in every rental property in the City, renters pay 1.8% of their rent in tax to the City. That adds up. Homeowners don't pay that tax. The tax provides revenue to the City of about \$4M per year. He has advocated that the City give half of that money to the housing trust fund. He has also been an advocate of the Housing First Program. Housing First works for all kinds of people, including those with drug dependencies, because once they have the stability of a house, they don't have to worry where they are sleeping anymore and their life begins to come together, especially with support services. He would like to have the faith community pool money and buy some rental housing and work together with the social service agencies in the City and turn those into Housing First properties. Some of the guests at I-HELP are in a transition, and they would like to help take them to the next step.

What happens with the \$4M that is generated by the rent tax? Is that put into the City's General Fund?

Mr. Calfee stated that the revenue goes to the City's General Fund to pay for City services – Police and Fire.

Councilmember Ellis stated that the City Council is looking at the enforcement component. Previously, a landlord with three or more rental properties would be taxed, but it has been modified to require only one property because groups were finding ways to get around it, i.e. forming LLC's. Enforcement of that will be ramped up because many of the people are not paying the taxes on their rental property. We expect that to generate some additional revenue over the next couple of years once the databases are coordinated with the existing database so they can be tracked.

Beth Fiorenza, TCAA, thanked the faith community for being interested in these issues. At TCAA, they really can't rely on the City of Tempe or Maricopa County or the federal government. It has become a responsibility of the community. Without the faith community being involved in the Interfaith Homeless Emergency Lodging Program and Project Homeless Connect, they didn't have that support to create those programs. She knows a lot more can be done together.

There was a comment about the proposal for putting some of that money back into efforts that would help those who are struggling with housing issues. That has some merit and should be considered.

Councilmember Ellis added that Pen Johnson, Allen Carlson, Beth Fiorenza and Steve Wise helped craft the document that will go to Council tomorrow. They are trying to make funding of the housing trust fund separate from the housing trust fund itself because they don't want different groups to fight the concept because they don't like the way that it was funded. They want to have that dialogue tomorrow night and if it is approved, an ordinance will be crafted so a lot of legal work will need to be done. In the fall, they will

have the dialogue on how to perpetuate the funding. For now, there is some money that will be coming in and we need to make sure that doesn't end up in the General Fund.

There was a question whether there were any other nonprofit development corporations in Tempe working on low income housing.

Craig Hittie responded that there are none for extremely low income housing, other than the Section 8 program.

Allen Carlson stated that NewTown is looking at is how to increase the scale of what they are doing. Part of that is whether they subsidize units as well as buyers. As we talk about addressing the problem, it is important to think about units, but we also need to work with buyers and prepare them for homeownership. NewTown would be interested in partnering with the faith community and opportunities to provide financial education, classes, workshops, and homebuyer education. When Mr. Calfee was talking about the percentages, the generally-accepted rule of affordability is that someone wouldn't pay more than 30% of their income for housing. Typically, banks say you can use 33% of your income for your mortgage payment, but you can't have more than 41% total debt to income. What that means is that only 8% of someone's income can go to a car payment and credit card debt, and if you're talking about \$48K, that is only \$320 per month toward other debt. Many people have \$500 per month payments and that reduces the amount they can get and use toward their loan. They need a lot of help with financial education. It is important to develop homeowners, and there needs to be supply.

Mr. Carlson spoke of a NewTown's house for sale in their program. They start with the buyer and the buyer goes through the counseling, goes to the bank, gets a loan approval, and then NewTown finds a house for them. Currently, they have a 4-bedroom house for \$150K between Hardy and Priest south of Southern. When the rehab was being done, it appraised at \$235K, but it has dropped some. A buyer must be 80% or below of AMI, or about \$50K of income for a family of four. If they have \$5,000, NewTown can match it with \$15K. So they would need to have a loan for about \$130K, with a monthly payment of about \$1K. NewTown is looking for referrals.

There was a question whether the income would need to be at that level for some period of time to qualify.

Mr. Carlson responded that they have to qualify going into the program to buy the house. They hope that their income will increase afterwards. They don't have to continue to qualify income-wise.

There was a question about single room housing availability.

Mr. Calfee responded that this has been a challenge for the City. There were many rent-by-the-week motels along Apache Boulevard and some were managed correctly and they served that purpose. But the majority of the properties were managed poorly. They became crime magnets, and the City ended up getting rid of them. Ideally, the City would like to see the development of an SRO because there is a profitable model. They could be profitable and serve the need, but the challenge is to find a builder who wants to do that and provide the quality. The City would be supportive if a developer would do that. Some parts of the country have inclusionary zoning which requires development projects to include affordable

housing. The City is trying to encourage builders to think about doing these things, because an SRO, or some other model of cooperative housing, could do very well. The capacity, funding and the management are important.

David Strang stated that he is involved in several affordable housing projects, including Brookmore Apartment Corporation, a Los Angeles based organization, and is the nonprofit managing general partner of several senior and family apartment sections in the Los Angeles area. He has been involved in a nonprofit project in Glendale with St. John's Lutheran Church. The church had excess land. They bought land thinking they were going to use it for a larger church, but never did. His company bought that land and the church was a partner in the development of a HUD 42-unit senior housing project. They had enough land that they are now ready to build a second complex. The church did not want to get into the management of the property itself. They are part of the nonprofit organization that works with Caring Housing Ministries, based in Los Angeles, to do the management. It is good model and it takes advantage of HUD funding.

There was a comment that it appears there are a lot of effective models, but they are all based on the assumption that the goal is homeownership. Other than the Section 8 program, there is very little available for rental housing. Affordable rental housing needs to be created. Is there a way that the faith community can support the City and developers in doing that? Very few have the land or the financial resources of faith organizations to begin developing, but is there a way the faith community could do the advocacy work so that when approaching developers, the awareness has been created that affordable housing is an issue in the City. How do we raise that awareness? If we begin to deal with issues such as inclusionary housing or when we are trying to have housing dispersed in neighborhoods, there will be reactions.

Mr. Calfee responded that there are always public hearings for projects, and there are opportunities for neighbors and members of the faith community to have dialogue and offer public input. For any rezoning, there are two public hearings and a neighborhood meeting, there are two hearings at the Development Review Commission, and there are two hearings at the City Council. It is a matter of taking the time, tracking the project, and being a part of it.

Beth Fiorenza added that she wouldn't call Apache Boulevard SRO. It was substandard housing with cheap rent. There wasn't any social service surrounding those programs, so when we speak of Housing First or SRO, we are surrounding individuals with those social services so they succeed. Those programs are highly successful with a 90% success rate and above. As Tempe Community Action Agency looks at the population they serve, what is the next step for the individuals they serve? They need housing, so they are at that point where they are looking at where they go next.

Anne Hardt asked how much publicity is generated? The majority of people involved in the faith community are middle class, but they aren't here today. How do we publicize the issues and the quality of life that would be affected as well as what programs are available? Many times when people hear about so much need, it is overwhelming, and they just walk away.

Joe Cook, a member of Bethany Community Church, is in the foreclosure business and is a developer who recently took on a project in the Tempe School District on 37 acres with 600 units of very affordable

housing. It had become a war zone when he took it over. Hallcraft Villas East used to be an affordable student housing project that in the late 1980's basically imploded. When he bought it five years ago, his concept was to deliver owner/occupied housing for the transition from just below the Section 8 end of the scale up into housing where they could move on to something else. The problem that he has found is that as a developer he can't pull the pieces together from HUD to what the City can do to what the faith community can do. He ended up with private funds developing this project and simply tried to improve the life of the population. After five years, they are just on the border of it becoming a community. He would challenge the faith community, in cooperation with the City, to think outside the box. There are probably more traditional financing options than we know out there that is not tied to HUD. There are developers willing to do the down payment subsidy on their own to deliver an affordable unit, if they can get the back-end financing, which is much bigger than the down payment financing. If the faith community is connected so that the person is not just delivered a house and then left alone, but so they have access to the services and a little accountability, it can be very successful. The opportunity is there, whether it is along Apache Boulevard or in a project like his. There is a great divergence in price and affordability where some creative traditional financing tied to services from the faith community or government subsidy could be very successful.

Traci Gruenberger, Lutheran Social Services, stated that they have been working with a number of partners with a passion for working with children coming out of foster care. Housing is their big issue. They don't make enough money and they don't have a co-signer, so her organization has been putting together a housing model for these kids to be able to transition them and work with them to connect with others for housing. She added that in putting together their project, they have met a VP at Wells Fargo to ask what they are doing with all of the foreclosed houses. The banks do not want these houses. There are opportunities for creative financing so the bank can dump these houses and apartment complexes and start getting some money in the door. Banks are not in the housing business. Their project is called "Connecting to Serve", and they are also working with the Department of Economic Security, as well as foster care alumni. They have found whoever they have needed to bring pieces of expertise to the table. It is not off the ground yet, but is pushing forward.

There was a suggestion of credit unions. The Methodist Church has a regional credit union.

Joe Cook added that's why this forum is helpful. It can be as small as an \$80K mortgage, or as big as a joint venture between the nonprofit and the development itself. It covers a wide range.

There was a question whether it is a safe assumption that when families go into stress of some kind, the faith community finds out about it fairly quickly. There was some interest expressed earlier about quantifying the need. His concern was that the private market place is able to react incredibly quickly to changes in the marketplace. For example, about three years ago, the fact that everyone who was moving into home ownership was creating serious vacancy rates in apartment complexes, and a lot of the affordable apartment complexes were beginning to have trouble maintaining enough of an occupancy rate to be able to make their payments. The private marketplace took care of that quickly by taking many of units out of the marketplace and turning them into condos. Whether or not that was a good idea is debatable, but the fact is they were able to do that quickly without the communities having any kind of legislative capacity to impact it. Now we have a situation where the people who were buying the houses

are now moving out of the houses and are back into the rental market. Again, the private marketplace is reacting quickly. The unanticipated consequences of those rapid actions are something that is difficult to predict. It looks like the federal government is getting ready to make large investments in areas that have been impacted by the real estate bubble. The vehicle for that is frequently first-time homebuyer assistance, and if you end up with a large amount of money that is available for first-time homebuyers, but most of your likely candidates for that assistance have actually owned homes within the last three years, then what are you going to do? The issue really is whether there is some way for people who have contact on the ground with people to be sensitive to what the next bubble of need will be. That is a place for the faith community being able to provide assistance.

Linda Beiler, Connecting to Serve, responded that in the future, the pool of people looking for affordable housing is going to be much larger due to the foreclosure rates, and the faith community needs to look at prevention and working with people to keep them in their homes rather than putting them on the wait list for HUD resources.

There was a comment that prevention is definitely part of the agenda for the faith community. Sometimes they are more aware than others of crisis needs and they can provide a venue for people to get information or help before the crisis comes. That's one of the better ways the faith community can respond.

Sheila Coonen, Connecting to Serve, has noticed that the lines outside her church for help for rental and utility assistance and food have grown extensively. How can we make the line shorter? Instead of handing them food for today, could we at that point provide them with connections, not just a sheet of paper but a connector. We need to work together smarter.

Alan Carlson, NewTown, added that they have a counselor on staff to work on foreclosure prevention and they are considering expanding that service.

Mr. Calfee suggested putting that information on the list serve.

There was a comment, in terms of next steps, how do we begin to move in a way to have conversations with banks to pull capital together.

There was a comment to encourage City planning staff and policymakers to be aggressive in the goals set as a community for dealing with affordable housing. The faith community needs to be involved with that. He commended Councilmember Ellis for bringing these organizations together. Tempe values quality of life and it is important to have conversations on a regular basis on issues like this.

Steve Wise, TCC, urged staff to continue these discussions and keep the ball rolling.

Mr. Calfee added that the next meeting hasn't been scheduled yet, but staff is looking at having a workshop on the housing trust fund. He added that ongoing conversations and email are a good way to work together.

Councilmember Ellis stated that staff actually put this forum together, namely Craig Hittie, Neil Calfee, Theresa James, and Liz Chavez, and all have a tremendous source of knowledge. The reason this topic was chosen was because the faith community approached Council and asked to be included in a conversation regarding affordable housing. This has been a positive dialogue.

She added that the Council Subcommittee on Transportation, Housing & Environment may have another Council member after July. The forums have been very successful.

Agenda Item #6 - Meeting adjourned at 11:30 a.m.

Prepared by: Connie Krosschell
Reviewed by: Jan Hort

Jan Hort
City Clerk

UNAPPROVED